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**TUPELO PUBLIC SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**INDEPENDENT AUDITORS' REPORT  
ON THE BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board  
Tupelo Public School District

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2008, which collectively comprise the Tupelo Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tupelo Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tupelo Public School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

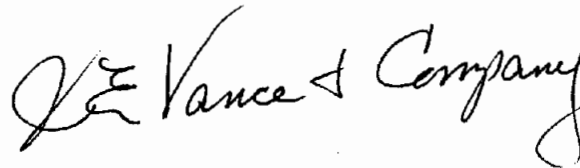
In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2009, on our consideration of the Tupelo Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 53 through 54 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tupelo Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenue, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

March 25, 2009  
Tupelo, Mississippi

A handwritten signature in cursive script that reads "J.E. Vance & Company". The signature is written in dark ink and is positioned to the right of the typed date and location.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**TUPELO PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Tupelo Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2008 increased \$3,019,856, which represents an 7% increase from fiscal year 2007. Total net assets for 2007 increased \$4,943,795 which represents a 13% increase from fiscal year 2006.
- General revenues account for \$59,958,561 and \$57,480,018 in revenue, or 84% and 84% of all revenues for fiscal years 2008 and 2007 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,755,555 or 16% of total revenues for 2008 and \$10,728,350 or 16% of total revenues for 2007.
- The District had \$68,692,936 and \$63,255,333 in expenses for fiscal years 2008 and 2007; only \$11,755,555 for 2008 and \$10,728,350 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$59,958,561 for 2008 and \$57,480,018 for 2007 were adequate to provide for these programs.
- Among major funds, the General Fund had \$55,450,352 in revenues and \$53,529,679 in expenditures for 2008 and \$53,369,798 in revenues and \$50,300,661 in expenditures for 2007. The General Fund's fund balance decreased \$326,588 from 2007 to 2008 and increased \$122,356 from 2006 to 2007.
- Capital assets, net of accumulated depreciation, increased by \$894,404 for 2008 and by \$192,834 for 2007.
- Long-term debt decreased by \$4,212,509 for 2008 and decreased by \$4,004,635 for 2007.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline two types of activities:

**Governmental Activities** - These are functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional and interest on long-term liabilities.

**Component Units** - These are operations that are legally separate from the District, but for which the District is financially accountable. The nature and significance of its relationship with the school district is such that its exclusion would cause the Tupelo Public School District's financial statements to be misleading or incomplete. The District's discretely presented component unit is the Tupelo School District Learning Foundation.

The government-wide financial statements can be found on pages 18-19 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 23, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

**Proprietary funds.** The school district maintains one type of proprietary fund, internal service fund. The internal service fund is a self-insurance fund that accounts for and finances the school district's uninsured risks resulting from providing health insurance for its employees. As of June 30, 2008, this fund was inactive. This fund is presented on the proprietary fund statements on pages 24-25.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on page 26 and 27.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-51 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund. This required supplementary information can be found on pages 53-54 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 56-57 of this report. A schedule of instructional, administrative, and other expenditures for governmental funds can be found on page 58.

The Mississippi Department of Education requires certain other information. A Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds can be found on page 45 of this report. A Statement of Revenues, Expenditures and Changes in Fund Balance General Fund - Last Four Years can be found on page 60. A Statement of Revenues, Expenditures and Changes in Fund Balance All Governmental Funds - Last Four Years can be found on page 61.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$46,777,679 as of June 30, 2008 and by \$43,757,823 as of June 30, 2007.

A large portion of the District's net assets (66% for 2008 and 59% for 2007) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and June 30, 2007.

Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

	Governmental Activities		Percentage Change	Component Unit		Percentage Change
	2008	2007	2007-2008	2008	2007	2007-2008
Current assets	\$ 17,625,780	19,378,111	-9.04%	\$ 327,002	317,081	3.13%
Capital assets, net	62,057,131	61,055,727	1.64%	1,608,833	1,715,833	-6.24%
<b>Total assets</b>	<b>79,682,911</b>	<b>80,433,838</b>	<b>-0.93%</b>	<b>1,935,835</b>	<b>2,032,914</b>	<b>-4.78%</b>
Current liabilities	1,254,057	917,575	36.67%	94,215	86,050	9.49%
Long-term debt outstanding	33,492,795	37,705,304	-11.17%	-0-	-0-	0.00%
<b>Total liabilities</b>	<b>34,746,852</b>	<b>38,622,879</b>	<b>-10.04%</b>	<b>94,215</b>	<b>86,050</b>	<b>9.49%</b>
Net assets:						
Invested in capital assets, net of related debt	29,330,538	24,115,250	21.63%	1,608,833	1,715,833	-6.24%
Restricted	9,667,070	11,370,972	-14.98%	-0-	-0-	0.00%
Unrestricted	5,938,451	6,324,737	-6.11%	232,787	231,031	0.76%
<b>Total net assets</b>	<b>\$ 44,936,059</b>	<b>41,810,959</b>	<b>7.47%</b>	<b>\$ 1,841,620</b>	<b>1,946,864</b>	<b>-5.41%</b>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The addition of \$2,468,218 in construction in progress for the elementary additions, District Lighting, THS Softball Complex, and various reroofing capital building projects
- The purchase of six buses for \$454,483
- The principal retirement of \$4,188,056 of long-term debt

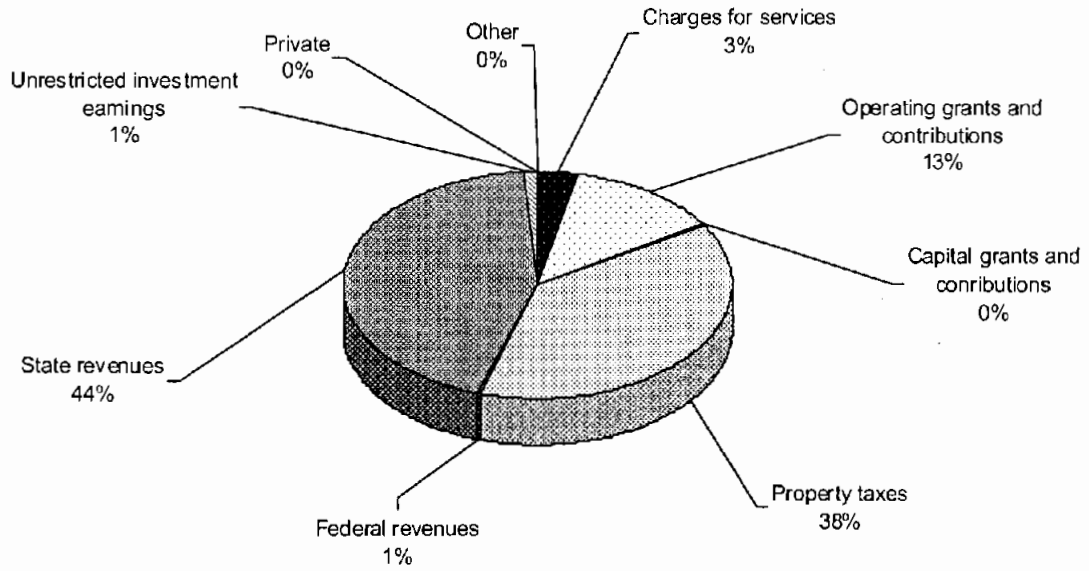
**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were \$71,714,116 and \$68,208,368 respectively. (See Table 2) State revenues accounted for most of the District's revenue contributing about 44 cents of every dollar raised. (See Figure 1) Another 13% came from operating grants and contributions, 38% from property taxes and the remainder from fees charged for services, interest earnings, federal revenue and other sources. The total cost of all programs and services for 2008 was \$68,692,936 and \$63,255,333 for 2007. The District's expenses are predominantly related to educating students 58%. (See Figure 2)

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2008 and June 30, 2007.

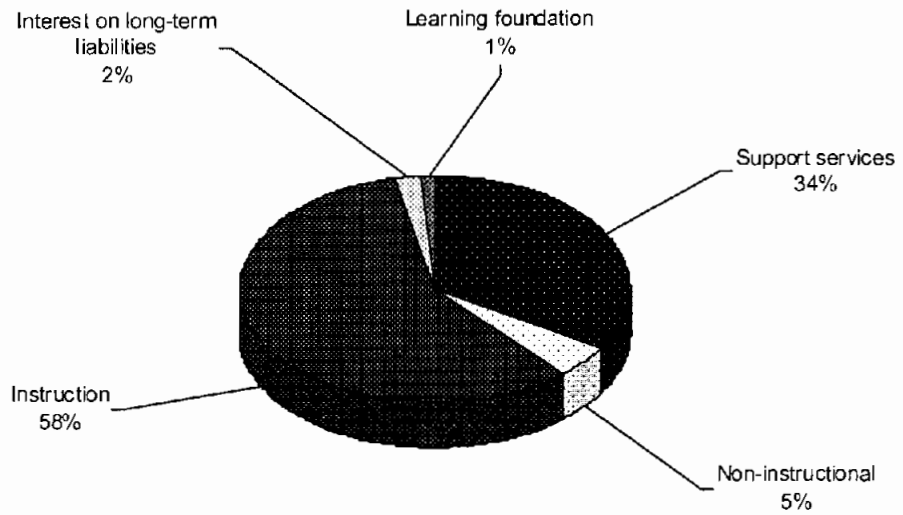
**Table 2**  
**Changes in Net Assets**

	<u>2008</u>	<u>2007</u>	<b>Total Percentage Change 2007-2008</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 2,487,238	\$ 2,436,274	2.09%
Operating grants and contributions	9,034,328	7,503,149	20.41%
Capital grants and contributions	233,989	788,927	-70.34%
General revenues:			
Property taxes	27,414,616	26,767,486	2.42%
Grants and contributions not restricted			
State	31,321,934	29,108,663	7.60%
Federal	359,160	520,385	-30.98%
Private	33,340	27,126	22.91%
Unrestricted investment earnings	767,247	1,002,287	-23.45%
Other	62,264	54,071	15.15%
<b>Total revenues</b>	<b><u>71,714,116</u></b>	<b><u>68,208,368</u></b>	<b>5.14%</b>
<b>Expenses:</b>			
Instruction	39,918,963	36,871,097	8.27%
Support services	23,203,357	20,982,417	10.58%
Non-instructional	3,316,910	3,161,799	4.91%
Interest on long-term liabilities	1,477,536	1,639,086	-9.86%
Learning foundation	776,170	600,934	29.16%
<b>Total expenses</b>	<b><u>68,692,936</u></b>	<b><u>63,255,333</u></b>	<b>8.60%</b>
<b>Increase in net assets</b>	<b><u>3,021,180</u></b>	<b><u>4,953,035</u></b>	<b>-39.00%</b>
<b>Net Assets, July 1</b>	<b><u>43,757,823</u></b>	<b><u>38,814,028</u></b>	<b>12.74%</b>
<b>Prior Period Adjustment</b>	<b><u>(1,324)</u></b>	<b><u>(9,240)</u></b>	<b>-85.67%</b>
<b>Net Assets, July 1 Restated</b>	<b><u>43,756,499</u></b>	<b><u>38,804,788</u></b>	<b>12.76%</b>
<b>Net Assets, June 30</b>	<b><u>\$ 46,777,679</u></b>	<b><u>\$ 43,757,823</u></b>	<b>6.90%</b>

**Figure 1**  
**Sources of Revenues for Fiscal Year 2008**



**Figure 2**  
**Expenses for Fiscal Year 2008**



**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3**  
**Net Cost of Governmental Activities**

	Total Expense		Percentage Change	Net (Expense) Revenue		Percentage Change
	2008	2007	2007-2008	2008	2007	2007-2008
Instruction	\$ 39,918,963	\$ 36,871,097	8.27%	\$ (34,138,028)	\$ (32,392,413)	5.39%
Support services	23,203,357	20,982,417	10.58%	(21,104,450)	(18,569,984)	13.65%
Non-instructional	3,316,910	3,161,799	4.91%	(61,917)	43,628	-241.92%
Interest on long-term liabilities	1,477,536	1,639,086	-9.86%	(1,477,536)	(1,639,086)	-9.86%
Total expenses	<u>\$ 67,916,766</u>	<u>\$ 62,654,399</u>	<u>8.40%</u>	<u>\$ (56,781,931)</u>	<u>\$ (52,557,855)</u>	<u>8.04%</u>

- Net cost of governmental activities (\$56,781,931 and \$52,557,855), was financed by general revenue, which is made up of primarily property taxes (\$27,414,616 for 2008 and \$26,767,486 for 2007) and state revenue (\$31,321,934 for 2008 and \$29,108,663 for 2008).
- Investment earnings accounted for \$767,247 of funding for 2008 and \$1,002,287 for 2007.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$16,398,646, a decrease of \$2,053,059. \$6,476,640 or 40% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$9,922,006 or 60% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$326,588. The fund balance of Other Governmental Funds showed a decrease of \$703,399.



**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget.

A schedule showing the original and final budget amounts compared to the District’s actual financial activity for the General Fund is provided in this report as required supplementary information.

- Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the school district.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District did not spend the entire contingency amount.
- Budget amounts for the District Construction Reserve Fund operating transfers in were increased to show a transfer from the General Fund in the amount of \$1,000,000.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the District’s total net capital assets, including primary government and component unit were \$63,665,964, including land, school buildings, buses, other school vehicles and furniture and equipment. (See Table 4) This amount represents a net increase of \$894,404, or 1.42%, from the previous year. Total accumulated depreciation as of June 30, 2008 was \$25,309,846 and total depreciation expense for the year was \$2,323,811 resulting in total net capital assets of \$63,665,964.

**Table 4  
Capital Assets at June 30  
(Net of Depreciation)**

	<u>2008</u>	<u>2007</u>	<b>Total % Change</b>
Land	\$ 4,122,182	\$ 4,122,182	0.00%
Construction in progress	1,923,297	1,986,117	-3.16%
Buildings	44,181,314	45,249,853	-2.36%
Building Improvements	9,959,023	7,990,268	24.64%
Improvements other than buildings	1,142,107	1,206,788	-5.36%
Mobile equipment	1,916,893	1,682,618	13.92%
Furniture and equipment	421,148	533,734	-21.09%
<b>Totals</b>	<u>\$ 63,665,964</u>	<u>\$ 62,771,560</u>	<b>1.42%</b>

Additional information of the District’s capital assets can be found in Note 4 on pages 41-43 of this report.

**Debt Administration.** At June 30, 2008, the District had \$33,492,795 in long-term debt outstanding, of which \$4,401,975 is due within one year.

Table 5 shows fiscal 2008 compared to 2007:

**Table 5**  
**Outstanding Long-Term Debt at June 30**

	<u>2008</u>	<u>2007</u>	<b>Total % Change</b>
General obligation bonds payable	\$ 25,565,000	\$ 29,185,000	-12.40%
Deferred amount on refunding	(717,858)	(815,905)	-12.02%
Unamortized premiums	1,062,005	1,233,255	-13.89%
Limited obligation bonds payable	6,025,000	6,495,000	-7.24%
Obligations under energy efficiency lease	997,002	1,095,058	-8.95%
Compensated absences payable	561,646	512,896	9.50%
<b>Totals</b>	<u>\$ 33,492,795</u>	<u>\$ 37,705,304</u>	<b>-11.17%</b>

The District maintains an AAA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on pages 43-48 of this report.

#### **CURRENT ISSUES**

The Tupelo Public School District is financially stable. The District is proud of its strong community support of its public schools.

The District has always committed itself to financial excellence. This is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting", issued by the Office of the State Auditor, has been awarded to the school district. The District's system of financial planning, budgeting and internal financial controls are will regarded.

The Tupelo Public School District is sensitive to the effects of taxation upon the citizens of the City of Tupelo and Lee County. Although yearly cuts in state funding have required additional local contribution through taxation. The taxation mileage rate for operational purposes has ranged from 48.04 mills in fiscal year 2004 to 52.27 mills in fiscal year 2008. This reflects an increase of 4.23 mills over four years. An even closer observance will reveal that the total ad valorem taxation millage rate, which includes debt service, has increased by 3.59 mills during the same time.

The District's enrollment at the end of the first month of the 2007-2008 school year was 7,358 students. This enrollment reflects a decrease of 38 students for the first month of the 2006-2007 school year. The Tupelo Public School District considers this enrollment decrease as well as cuts in MAEP state funding when considering future budgeting and staffing needs. The District plans to continue its sound fiscal management to meet the challenges of the future.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Tupelo Public School District, P.O. Box 557, Tupelo, Mississippi 38802.

**FINANCIAL STATEMENTS**

**TUPELO PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Exhibit A	Primary Government	Component Unit	Total
	Governmental	Learning	Reporting
	Activities	Foundation	Entity
Assets			
Cash and cash equivalents	\$ 7,979,466	65,275	8,044,741
Investments	7,331,842	208,327	7,540,169
Due from other governments	1,895,421		1,895,421
Other receivables, net	712	25,377	26,089
Deferred charges on debt issuance cost	204,557		204,557
Inventories and prepaid items	213,782	28,023	241,805
Capital assets, not being depreciated:			
Land	3,922,182	200,000	4,122,182
Construction in progress	1,923,297		1,923,297
Capital assets, net of accumulated depreciation:			
Buildings	42,772,481	1,408,833	44,181,314
Building improvements	9,959,023		9,959,023
Improvements other than buildings	1,142,107		1,142,107
Mobile equipment	1,916,893		1,916,893
Furniture and equipment	421,148		421,148
Total Assets	\$ 79,682,911	1,935,835	81,618,746
Liabilities			
Accounts payable and accrued liabilities	\$ 1,006,033	92,588	1,098,621
Interest payable on long-term liabilities	231,479		231,479
Unearned revenue	16,545	1,627	18,172
Long-term liabilities, due within one year			
Capital related liabilities	4,401,975		4,401,975
Long-term liabilities, due beyond one year			
Capital related liabilities	28,529,174		28,529,174
Non-capital related liabilities	561,646		561,646
Total Liabilities	\$ 34,746,852	94,215	34,841,067
Net Assets			
Investment in capital assets, net of related debt	\$ 29,330,538	1,608,833	30,939,371
Restricted net assets:			
Expendable:			
School - based activities	190,325		190,325
Debt service	2,755,890		2,755,890
Capital improvements	6,568,564		6,568,564
Unemployment benefits	152,291		152,291
Unrestricted	5,938,451	232,787	6,171,238
Total Net Assets	\$ 44,936,059	1,841,620	46,777,679

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

**Exhibit B**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Learning Foundation	Total Reporting Entity
Primary government:							
Governmental activities:							
Instruction	\$ 39,918,963	623,694	5,151,458	5,783	(34,138,028)		(34,138,028)
Support services	23,203,357	158,021	1,712,680	228,206	(21,104,450)		(21,104,450)
Non-instructional	3,316,910	1,084,803	2,170,190		(61,917)		(61,917)
Interest on long-term liabilities	1,477,536				(1,477,536)		(1,477,536)
Total Governmental Activities	67,916,766	1,866,518	9,034,328	233,989	(56,781,931)	-0-	(56,781,931)
Total Primary Government	67,916,766	1,866,518	9,034,328	233,989	(56,781,931)	-0-	(56,781,931)
Component Unit:							
Learning Foundation	\$ 776,170	620,720				(155,450)	(155,450)
Total Component Unit	776,170	620,720	-0-	-0-	-0-	(155,450)	(155,450)
General revenues:							
Taxes:					\$ 22,432,648		22,432,648
General purpose levies					4,981,968		4,981,968
Debt purpose levies							
Unrestricted grants and contribution							
State					31,321,934		31,321,934
Federal					359,160		359,160
Private						33,340	33,340
Unrestricted investment income					752,911	14,336	767,247
Other					59,734	2,530	62,264
Total General Revenues					59,908,355	50,206	59,958,561
Changes in Net Assets					3,126,424	(105,244)	3,021,180
Net Assets - Beginning					41,810,959	1,946,864	43,757,823
Prior Period Adjustment					(1,324)		(1,324)
Net Assets - Restated					41,809,635	1,946,864	43,756,499
Net Assets - Ending					44,936,059	1,841,620	46,777,679

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

Exhibit C	Major Funds				Total Governmental Funds
	General Fund	Construction Reserve	Other Governmental Funds	Total Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,027,000	1,000,000	3,952,466	7,979,466	
Investments	1,310,793	5,560,334	460,715	7,331,842	
Due from other governments	1,081,173		814,248	1,895,421	
Other receivables			713	713	
Due from other funds	1,016,949		57,665	1,074,614	
Inventories and prepaid items	118,254		95,528	213,782	
Total Assets	\$ 6,554,169	6,560,334	5,381,335	18,495,838	
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 53,947	864,172	87,914	1,006,033	
Due to other funds	125	435,116	639,373	1,074,614	
Unearned revenue			16,545	16,545	
Total Liabilities	54,072	1,299,288	743,832	2,097,192	
Fund Balances:					
Reserved for:					
Unemployment benefits			152,291	152,291	
Inventory	44,368		95,528	139,896	
Prepaid items	73,886			73,886	
Debt service			2,987,369	2,987,369	
Unreserved:					
Designated for, reported in:					
Capital Projects funds		5,261,046	1,307,518	6,568,564	
Undesignated, reported in:					
General fund	6,381,843		94,797	6,381,843	
Special Revenue funds				94,797	
Total Fund Balances	6,500,097	5,261,046	4,637,503	16,398,646	
Total Liabilities and Fund Balances	\$ 6,554,169	6,560,334	5,381,335	18,495,838	

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET ASSETS  
JUNE 30, 2008**

**Exhibit C-1**

	Amount
Total Fund Balance - Governmental Funds	\$ 16,398,646
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets which are used in governmental activities are not resources and therefore are not reported in the funds, net of accumulated depreciation of \$23,479,836.	62,057,131
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(33,492,795)
3. Net deferred charges on debt issuance costs	204,556
4. Interest payable on long-term liabilities	(231,479)
	\$ 44,936,059
Total Net Assets - Governmental Activities	

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Major Funds			Total Governmental Funds
	General Fund	District Construction Reserve	Other Governmental Funds	
<b>Revenues:</b>				
Local sources	\$ 23,603,756	190,530	6,521,456	30,315,742
State sources	31,296,765		1,931,272	33,228,037
Federal sources	549,831		6,930,491	7,480,322
<b>Total Revenues</b>	<b>55,450,352</b>	<b>190,530</b>	<b>15,383,219</b>	<b>71,024,101</b>
<b>Expenditures:</b>				
Instruction	34,511,485		5,362,142	39,873,627
Support services	19,018,194	297,480	2,275,910	21,591,584
Noninstructional services			3,323,620	3,323,620
Facilities acquisition and construction		1,916,122	684,994	2,601,116
Debt service:				
Principal			4,188,056	4,188,056
Interest			1,525,937	1,525,937
Other			11,175	11,175
<b>Total Expenditures</b>	<b>53,529,679</b>	<b>2,213,602</b>	<b>17,371,834</b>	<b>73,115,115</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,920,673</b>	<b>(2,023,072)</b>	<b>(1,988,615)</b>	<b>(2,091,014)</b>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	7,896			7,896
Sale of transportation equipment	6,500			6,500
Sale of other property	4,356			4,356
Operating transfers in	911,445	1,000,000	2,434,999	4,346,444
Operating transfers out	(3,199,066)		(1,136,090)	(4,335,156)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,268,869)</b>	<b>1,000,000</b>	<b>1,298,909</b>	<b>30,040</b>
<b>Net Change in Fund Balances</b>	<b>(348,196)</b>	<b>(1,023,072)</b>	<b>(689,706)</b>	<b>(2,060,974)</b>
<b>Fund Balances:</b>				
July 1, 2007	6,826,685	6,284,118	5,340,902	18,451,705
Prior period adjustment	(1,324)			(1,324)
July 1, 2007, as restated	6,825,361	6,284,118	5,340,902	18,450,381
Increase in reserve for inventory	22,932		(13,693)	9,239
June 30, 2008	\$ 6,500,097	5,261,046	4,637,503	16,398,646

The notes to the financial statements are an integral part of this statement.



**TUPELO PUBLIC SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008**

**Exhibit D-1**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (2,060,974)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$3,246,975 and the depreciation expense amounted to \$2,216,811.	1,030,164
2. Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Amortization of bond issuance costs	(47,375)
Amortization of bond premium	171,250
Amortization of advanced refunding difference	(98,047)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	4,188,056
4. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(28,760)
5. Governmental funds report interest on long-term debt when due, whereas the statement of activities recognizes it as it accrues, regardless of when the financial resources are available. Accrued interest at year end was \$231,479 which is a decrease from last year.	22,570
6. Governmental funds do not recognize transactions that are not normally paid with expendable available resources. The statement of activities reports expenses and liabilities regardless of when financial resources are available. Compensated absences increased to \$561,646	(48,750)
7. Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activities.	9,239
8. The net revenue of internal service funds is reported with governmental activities.	(10,949)
Change in Net Assets of Governmental Activities	\$ 3,126,424

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Exhibit E**

	Governmental Activities - Internal Service <u>Fund-Insurance</u>
Nonoperating Revenues (Expenses)	
Interest Income	\$ 339
Transfers out	<u>(11,288)</u>
Total Nonoperating Revenues (Expenses)	<u>(10,949)</u>
Change In Net Assets	(10,949)
Total Net Assets - July 1, 2007	<u>10,949</u>
Total Net Assets - June 30, 2008	<u><u>\$ -0-</u></u>

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008**

**Exhibit F**

	Governmental Activities - Internal Service <u>Fund-Insurance</u>
Cash Flows From Noncapital Financing Activities	
Transfers paid	\$ <u>          (13)</u>
Net Cash Used by Noncapital Financing Activities	(13)
Cash Flows From Investing Activities	
Interest on investments	339
Purchase of investments	<u>(339)</u>
Net Cash Used by Investing Activities	-0-
Net decrease in cash and cash equivalents	(13)
Cash and cash equivalents - July 1, 2007	<u>13</u>
Cash and cash equivalents - June 30, 2008	<u><u>\$ -0-</u></u>

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENTS OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

**Exhibit G**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,530	2,243,660
Investments	150,298	
Other receivables	6,000	
	<u>162,828</u>	<u>2,243,660</u>
Total Assets	<u>162,828</u>	<u>2,243,660</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,000	2,206,979
Due to other funds	3,897	
Due to student clubs		36,681
	<u>4,897</u>	<u>2,243,660</u>
Total Liabilities	<u>4,897</u>	<u>2,243,660</u>
<b>Net Assets</b>		
Reserved for endowments	125,000	
Held in trust	32,931	
	<u>157,931</u>	
Total Net Assets	<u>\$ 157,931</u>	

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Exhibit H**

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 5,393
Contributions and donations from private sources	<u>25,000</u>
Total Additions	30,393
Deductions	
Scholarships awarded	5,000
Other	<u>5,247</u>
Total Deductions	<u>10,247</u>
Change in Net Assets	20,146
Net Assets July 1, 2007	<u>137,785</u>
Net Assets June 30, 2008	<u><u>\$ 157,931</u></u>

The notes to the financial statements are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Tupelo since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Tupelo Public School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

The accompanying basic financial statements present the Tupelo Public School District and its component units, entities for which the district is considered to be financially accountable in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Blended component units although legally separate entities are, in substance, part of the district's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Tupelo Public School District.

**Component Units**

The Tupelo Public Schools Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Authority is governed by a three member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district.

The Tupelo School District Learning Foundation (Foundation) is incorporated in Mississippi as a non-profit organization exclusively for educational purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code. The Foundation was formed to receive and maintain a contribution of an apartment complex and related assets and receives primarily all of its income from rentals of the apartments.

The financial statements for the blended component unit are included as part of the basic financial statements of the school district.

**B. Basis of Presentation**

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Statement of Net Assets demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among the program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The school district reports the following major governmental fund:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

District Construction Reserve - This fund accounts for the monies set aside in anticipation of the expansion of additional classroom at several sites in an effort to reduce classroom sizes in grades k through 3.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:



**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

Student Club Accounts - These funds are used to account for the transactions of student clubs.

L.D. Hancock Award Fund - This fund accounts for the monies set aside for annual awards to teachers.

Bouchillon and Mickey Linder Scholarship Funds - These funds account for monies set aside for scholarships for students.

Harden/CREATE for NBC Fund - This fund accounts for monies set aside teachers applying for National Board Certification.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**PROPRIETARY FUNDS**

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the district on a cost-reimbursement basis.

**FIDUCIARY FUNDS**

Private-purpose Trust Funds - Private-purpose Trust Funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

**D. Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003 issued by the U.S. Department of Education.

**E. Encumbrances**

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are reported as designation of fund balances since they do not constitute expenditures or liabilities.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, and Net Assets or Equity**

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district, as well as for its component units, are reported at fair market value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Capital Assets

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amounts will correspond with the amounts for the asset classifications as listed. See note 4 for details.

6. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

7. Long-term Liabilities

In the government-wide, proprietary and component unit financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1: Summary of Significant Accounting Policies (Continued)**

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for unemployment benefits - An account that represents a portion of the fund balance of that is legally restricted for the payment of unemployment benefits.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for prepaid items - An account that represents a portion of the fund balance which indicates that prepaid items do not represent available spendable resources even though they are a component of net current assets.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Unreserved - designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balances that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 2: Cash and Cash Equivalents and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds, discretely presented component unit, proprietary funds and fiduciary funds was \$7,979,466, \$65,275, \$0 and \$2,250,190, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$8,044,741. The bank balance was \$13,618,942.



**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 2: Cash and Cash Equivalents and Investments (Continued)**

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$13,618,942 was exposed to custodial credit risk.

Investments

As of June 30, 2008, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Mississippi Education Investment Pool A	1 to 5	\$ 2,463,762	Various
Mississippi Education Investment Pool B	less than 1	<u>5,226,705</u>	Various
Total Investments		<u>\$ 7,690,467</u>	

*Interest Rate Risk.* The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2008, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 3: Interfund Transactions and Balances**

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	District Construction Reserve Fund	\$ 435,116
General Fund	Other governmental funds	581,833
Other governmental funds	General Fund	125
Other governmental funds	Other governmental funds	57,540
Component unit	Fiduciary funds	<u>3,897</u>
Total		<u>\$ 1,078,511</u>

The purpose of the interfund loans was to cover federal funds not received prior to year-end.

B. Transfers In/Out

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	District Construction Reserve Fund	\$ 1,000,000
General Fund	Other governmental funds	2,199,066
Other governmental funds	General Fund	900,157
Other governmental funds	Other governmental funds	235,933
Proprietary fund	General Fund	<u>11,288</u>
Total		<u>\$ 4,346,444</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service payments or to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 4: Capital Assets**

The following is a summary of changes in capital assets for governmental activities:

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6/30/2008</u>
<u>Non-depreciable capital assets</u>						
Land	\$ 3,922,182					3,922,182
Construction in progress	1,986,117	2,468,218		(2,531,038)		1,923,297
Total non-depreciable capital assets	<u>5,908,299</u>	<u>2,468,218</u>	<u>-0-</u>	<u>(2,531,038)</u>	<u>-0-</u>	<u>5,845,479</u>
<u>Depreciable capital assets</u>						
Buildings	58,154,627			106,836		58,261,463
Buildings improvements	9,934,972	40,542		2,424,202		12,399,716
Improvements other than buildings	1,869,442					1,869,442
Mobile equipment	4,321,200	527,002	(258,150)			4,590,052
Furniture and equipment	2,654,127	211,213	(294,525)			2,570,815
Total depreciable capital assets	<u>76,934,368</u>	<u>778,757</u>	<u>(552,675)</u>	<u>2,531,038</u>	<u>-0-</u>	<u>79,691,488</u>
<u>Less accumulated depreciation for:</u>						
Buildings	14,420,607	1,068,375				15,488,982
Buildings improvements	1,944,704	495,989				2,440,693
Improvements other than buildings	662,654	64,681				727,335
Mobile equipment	2,638,582	266,912	(232,335)			2,673,159
Furniture and equipment	2,120,393	320,854	(291,580)			2,149,667
Total accumulated depreciation	<u>21,786,940</u>	<u>2,216,811</u>	<u>(523,915)</u>	<u>-0-</u>	<u>-0-</u>	<u>23,479,836</u>
Total depreciable capital assets, net	<u>55,147,428</u>	<u>(1,438,054)</u>	<u>(28,760)</u>	<u>2,531,038</u>	<u>-0-</u>	<u>56,211,652</u>
Governmental activities capital assets, net	<u>\$ 61,055,727</u>	<u>1,030,164</u>	<u>(28,760)</u>	<u>-0-</u>	<u>-0-</u>	<u>62,057,131</u>

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 4: Capital Assets (Continued)**

The following is a summary of changes in the capital assets for the discretely presented component unit:

	Balance 7/1/2007	Additions	Retirements	Balance 6/30/2008
<u>Non-depreciable capital assets</u>				
Land	\$ 200,000			200,000
Total non-depreciable capital assets	<u>200,000</u>	<u>-0-</u>	<u>-0-</u>	<u>200,000</u>
<u>Depreciable capital assets</u>				
Buildings	3,210,000			3,210,000
Furniture and equipment	28,843			28,843
Total depreciable capital assets	<u>3,238,843</u>	<u>-0-</u>	<u>-0-</u>	<u>3,238,843</u>
<u>Less accumulated depreciation for:</u>				
Buildings	1,694,167	107,000		1,801,167
Furniture and equipment	28,843			28,843
Total accumulated depreciation	<u>1,723,010</u>	<u>107,000</u>	<u>-0-</u>	<u>1,830,010</u>
Total depreciable capital assets, net	<u>1,515,833</u>	<u>(107,000)</u>	<u>-0-</u>	<u>1,408,833</u>
Discretely presented component unit capital assets, net	<u>\$ 1,715,833</u>	<u>(107,000)</u>	<u>-0-</u>	<u>1,608,833</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
Instruction	\$ 25,556
Support services	2,190,138
Non-instructional	1,117
Total governmental activities depreciation expense	<u>\$ 2,216,811</u>
Component unit:	
Learning foundation	\$ 107,000
Total component unit depreciation expense	<u>\$ 107,000</u>

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 4: Capital Assets (Continued)**

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Commitments under construction contracts at June 30, 2008, are summarized as follows:

	Spent to June 30, 2008	Remaining Commitment
Joyner addition	\$ 222,203	\$ 1,297,077
Parkway addition	295,194	1,489,024
Pierce Street addition	523,824	757,704
Rankin addition	260,529	376,861
Thomas Street addition	618,958	1,098,302
Gym HVAC	2,589	381,550
	\$ 1,923,297	\$ 5,400,518

**Note 5: Long-term Liabilities**

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts due within one year
A. General obligation					
bonds payable	\$ 29,185,000		3,620,000	25,565,000	3,775,000
Deferred amount on					
refunding	(815,905)		98,047	(717,858)	
Unamortized premiums	1,233,255		171,250	1,062,005	
B. Limited obligation bonds					
payable	6,495,000		470,000	6,025,000	525,000
C. Obligations under energy					
efficiency lease	1,095,058		98,056	997,002	101,975
D. Compensated absences	512,896	48,750		561,646	
Total	\$ 37,705,304	48,750	4,457,353	33,492,795	4,401,975

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 5: Long-term Liabilities (Continued)**

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 1998	3.4-4.6%	12/1/1998	9/1/2016	\$ 6,160,000	\$ 3,905,000
General obligation bonds, Series 1999 (Refunded)	4.90%	11/1/1999	11/1/2008	29,500,000	2,250,000
General obligation refunding bonds, Series 2004	3.50%	8/26/2004	12/1/2008	7,305,000	885,000
General obligation refunding bonds, Series 2005	3.0-5.0%	5/1/2005	11/1/2015	<u>18,750,000</u>	<u>18,525,000</u>
Total				<u>\$ 61,715,000</u>	<u>\$ 25,565,000</u>

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

1. Bond issue of 12/1/1998

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 540,000	153,892	693,892
2010	560,000	131,478	691,478
2011	580,000	107,963	687,963
2012	615,000	83,012	698,012
2013	425,000	61,066	486,066
2014-2017	<u>1,185,000</u>	<u>85,328</u>	<u>1,270,328</u>
Total	<u>\$ 3,905,000</u>	<u>622,739</u>	<u>4,527,739</u>

This debt will be retired from the L/P 1999 Retirement Fund.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 5: Long-term Liabilities (Continued)**

2. Bond issue of 11/1/1999

Year Ending June 30,	Principal	Interest	Total
2009	\$ 2,250,000	55,125	2,305,125
Total	\$ 2,250,000	55,125	2,305,125

This debt will be retired from the BI 1999 Retirement Fund.

3. Bond issue of 8/26/2004

Year Ending June 30,	Principal	Interest	Total
2009	\$ 885,000	15,488	900,488
Total	\$ 885,000	15,488	900,488

This debt will be retired from the BI 2005 Retirement Fund.

4. Bond issue of 5/1/2005

Year Ending June 30,	Principal	Interest	Total
2009	\$ 100,000	872,000	972,000
2010	2,620,000	818,100	3,438,100
2011	2,455,000	716,600	3,171,600
2012	2,570,000	603,250	3,173,250
2013	2,590,000	474,250	3,064,250
2014-2016	8,190,000	616,250	8,806,250
Total	\$ 18,525,000	4,100,450	22,625,450

This debt will be retired from the BI 1999 Retirement Fund.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 5: Long-term Liabilities (Continued)**

Total general obligation bond payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 3,775,000	1,096,505	4,871,505
2010	3,180,000	949,578	4,129,578
2011	3,035,000	824,562	3,859,562
2012	3,185,000	686,263	3,871,263
2013	3,015,000	535,316	3,550,316
2014-2017	9,375,000	701,578	10,076,578
Total	\$ <u>25,565,000</u>	<u>4,793,802</u>	<u>30,358,802</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 6.2% of property assessments as of October 1, 2007.

**B. Limited obligation bonds payable**

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited obligation bonds, Series 2004	3.0-4.05%	8/26/2004	6/1/2017	\$ <u>7,320,000</u>	\$ <u>6,025,000</u>
Total				\$ <u>7,320,000</u>	\$ <u>6,025,000</u>



**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 5: Long-term Liabilities (Continued)**

Details of the district's June 30, 2008 limited obligation bond indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 525,000	221,515	746,515
2010	535,000	205,765	740,765
2011	635,000	188,378	823,378
2012	660,000	166,153	826,153
2013	680,000	143,052	823,052
2014-2017	2,990,000	304,418	3,294,418
Total	\$ 6,025,000	1,229,281	7,254,281

This debt will be retired from the STN 2005 Retirement fund.

C. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	3.92%	1/23/2006	12/23/2016	\$ 1,116,762	\$ 997,002
Total				\$ 1,116,762	\$ 997,002

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 5: Long-term Liabilities (Continued)**

Details of the district's June 30, 2008 energy efficiency lease payable are as follows:

Obligations under energy efficiency lease issued January 23, 2006

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2009	\$ 101,975	37,318	139,293
2010	106,051	33,242	139,293
2011	110,290	29,003	139,293
2012	114,699	24,595	139,294
2013	119,284	20,010	139,294
2014-2017	444,703	31,217	475,920
Total	\$ 997,002	175,385	1,172,387

This debt will be retired from the Lease Purchase 2006 Performance Contract Fund.

An energy efficiency lease agreement dated January 23, 2006, was executed by and between the district, the lessee, and SunTrust Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$1,116,762 for the purchase of energy efficiency equipment, machinery, supplies building modifications, and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

**D. Compensated absences payable.**

As more fully explained in Note 1(F)(6), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307 (5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 6: Prior Year Defeasance of Debt**

In prior years, the Tupelo Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$24,995,000 of bonds outstanding are defeased.

**Note 7: Other Commitments**

Commitments under construction contracts are described in Note 4.

**Note 8: Defined Benefit Pension Plan**

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800 444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$4,555,904, \$4,106,031 and \$3,785,346, respectively, which equaled the required contributions for each year.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 9: Prior Period Adjustments/Exhibits**

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct a prior year error in recording an asset or liability	\$ <u>(1,324)</u>
Total	\$ <u><u>(1,324)</u></u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Fund</u>	<u>Explanation</u>	
General Fund	To correct a prior year error in recording an asset or liability	\$ <u>(1,324)</u>
	Total	\$ <u><u>(1,324)</u></u>

**Note 10: Contingencies**

Federal Grants. – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation. – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**Note 11: Subsequent Events**

The school district issued a Tax Shortfall Note, Series 2008, on September 23, 2008, to cover ad valorem tax collection shortfalls for the year ending June 30, 2008. The total amount of the note was \$232,290, issued under the authority of Section 27-39-333, Miss. Code Ann. (1972).

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 12: Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TUPELO PUBLIC SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 23,894,652	23,603,756	23,603,756	(290,896)	-0-
State sources	32,051,180	31,296,765	31,296,765	(754,415)	-0-
Federal sources	295,000	549,831	549,831	254,831	-0-
Total Revenues	<u>56,240,832</u>	<u>55,450,352</u>	<u>55,450,352</u>	<u>(790,480)</u>	<u>-0-</u>
<b>Expenditures:</b>					
Instruction	35,616,757	34,511,485	34,511,485	1,105,272	-0-
Support services	19,895,478	18,759,316	19,018,194	1,136,162	(258,878)
Total Expenditures	<u>55,512,235</u>	<u>53,270,801</u>	<u>53,529,679</u>	<u>2,241,434</u>	<u>(258,878)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>728,597</u>	<u>2,179,551</u>	<u>1,920,673</u>	<u>1,450,954</u>	<u>(258,878)</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries		7,896	7,896	7,896	-0-
Sale of transportation equipment		6,500	6,500	6,500	-0-
Sale of other property		4,356	4,356	4,356	-0-
Operating transfers in	982,884	2,061,196	911,445	1,078,312	(1,149,751)
Operating transfers out	(3,250,868)	(4,348,817)	(3,199,066)	(1,097,949)	1,149,751
Total Other Financing Sources (Uses)	<u>(2,267,984)</u>	<u>(2,268,869)</u>	<u>(2,268,869)</u>	<u>(885)</u>	<u>-0-</u>
Net Change in Fund Balances	<u>(1,539,387)</u>	<u>(89,318)</u>	<u>(348,196)</u>	<u>1,450,069</u>	<u>(258,878)</u>
<b>Fund Balances:</b>					
July 1, 2007	2,433,744	6,826,685	6,826,685	4,392,941	-0-
Prior period adjustment			(1,324)	-0-	(1,324)
July 1, 2007, as restated	<u>2,433,744</u>	<u>6,826,685</u>	<u>6,825,361</u>	<u>4,392,941</u>	<u>(1,324)</u>
Increase in reserve for inventory		22,932	22,932	22,932	-0-
June 30, 2008	<u>\$ 894,357</u>	<u>6,760,299</u>	<u>6,500,097</u>	<u>5,865,942</u>	<u>(260,202)</u>

The notes to the required supplementary information are an integral part of this statement.

**TUPELO PUBLIC SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2008**

**Budgetary Comparison Schedule**

**Note 1: Basis of Presentation**

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

**Note 2: Budget Amendments and Revisions**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.



**SUPPLEMENTAL INFORMATION**

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 531,099
National school lunch program	10.555	1,742,000
Summer food service program for children	10.559	120,453
Total		<u>2,393,552</u>
Fresh fruit and vegetable program	10.582	30,183
<b>Total U.S. Department of Agriculture</b>		<u>2,423,735</u>
<b>U.S. Department of Transportation</b>		
Passed-through Mississippi Department of Transportation		
Highway planning and construction	20.205	10,942
<b>Total U.S. Department of Transportation</b>		<u>10,942</u>
<b>Federal Communications Commission</b>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	117,809
<b>Total Federal Communications Commission</b>		<u>117,809</u>
<b>National Aeronautics and Space Administration</b>		
Passed-through University of Mississippi:		
Aerospace education services program	43.001	2,950
<b>Total National Aeronautics and Space Administration</b>		<u>2,950</u>
<b>National Science Foundation</b>		
Education and human resources	47.076	6,339
<b>Total National Science Foundation</b>		<u>6,339</u>

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Special Education Cluster:		
Special education - grants to states	84.027	1,792,684
Special education - preschool grants	84.173	79,246
Total		<u>1,871,930</u>
Title I - grants to local educational agencies	84.010	1,964,234
Career and technical education - basic grants to state	84.048	259,727
Safe and drug-free schools and communities - state grants	84.186	38,622
Education for homeless children and youth	84.196	51,780
State grants for innovative programs	84.298	17,871
Education technology state grants	84.318	15,211
English language acquisition grants	84.365	49,006
Improving teacher quality state grants	84.367	488,844
Grants for state assessments and related activities	84.369	38,732
Total passed-through MDE		<u>4,795,957</u>
<b>Total U.S. Department of Education</b>		<u>4,795,957</u>
<b>U.S. Department of Health and Human Services</b>		
Passed-through Mississippi Department of Education:		
Medical Assistance program	93.778	143,382
Total passed-through MDE		<u>143,382</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>143,382</u>
<b>Total for All Federal Awards</b>		<u>\$ 7,501,114</u>

Note 1: This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

Note 2: The expenditure amounts include transfers out.

Note 3: The pass-through entities did not assign identifying numbers to the school district.

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 51,666,692	42,014,763	1,321,013	2,813,198	5,517,718
Other	21,448,423	4,766,304	1,268,375	80,200	15,333,544
Total	\$ 73,115,115	46,781,067	2,589,388	2,893,398	20,851,262
Total number of students	6,709				
Cost per student	\$ 10,898	6,973	386	431	3,108

For purposes of this schedule, the following columnar descriptions are applicable:

**Instruction and Other Student Instructional Expenditures** - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type - (all the 1000, 2100, & 2200 functional codes.)

**General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

**School Administration** - includes expenditures for the following function: Support Services - School Administration (2400s).

**Other** - includes all expenditure functions not included in Instruction or Administration Categories.

- Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

**Note: include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line**

**OTHER SUPPLEMENTAL INFORMATION**

Tupelo Public School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 23,603,756	23,245,185	21,786,784	20,785,474
State sources	31,296,765	29,152,298	28,467,615	26,683,289
Federal sources	549,831	972,315	345,011	471,178
<b>Total Revenues</b>	<b>55,450,352</b>	<b>53,369,798</b>	<b>50,599,410</b>	<b>47,939,941</b>
<b>Expenditures:</b>				
Instruction	34,511,485	32,429,910	30,970,381	29,072,616
Support services	19,018,194	17,841,054	17,076,117	15,347,130
Noninstructional services		1,289		497
Facilities acquisition and construction		28,408		
<b>Total Expenditures</b>	<b>53,529,679</b>	<b>50,300,661</b>	<b>48,046,498</b>	<b>44,420,243</b>
Excess (Deficiency) of Revenues over Expenditures	1,920,673	3,069,137	2,552,912	3,519,698
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	7,896	15,246	4,032	13,773
Sale of transportation equipment	6,500	1,452	388	
Sale of other property	4,356	4,609	3,608	
Operating transfers in	911,445	1,135,844	841,330	800,767
Operating transfers out	(3,199,066)	(4,087,965)	(4,964,469)	(7,578,425)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,268,869)</b>	<b>(2,930,814)</b>	<b>(4,115,111)</b>	<b>(6,763,885)</b>
<b>Net Change in Fund Balances</b>	<b>(348,196)</b>	<b>138,323</b>	<b>(1,562,199)</b>	<b>(3,244,187)</b>
Fund Balance, July 1	6,826,685	6,704,329	8,287,963	11,516,241
Prior period adjustments	(1,324)	(21,382)	(400)	
Fund Balance, July 1, as restated	6,825,361	6,682,947	8,287,563	11,516,241
Increase (Decrease) in reserve for inventory	22,932	5,415	(21,035)	15,909
<b>Fund Balance, June 30</b>	<b>\$ 6,500,097</b>	<b>6,826,685</b>	<b>6,704,329</b>	<b>8,287,963</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

Tupelo Public School District

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 30,315,742	29,852,617	28,186,709	27,167,990
State sources	33,228,037	30,678,569	30,012,041	28,060,476
Federal sources	7,480,322	6,986,650	6,647,136	5,971,556
<b>Total Revenues</b>	<b>71,024,101</b>	<b>67,517,836</b>	<b>64,845,886</b>	<b>61,200,022</b>
<b>Expenditures:</b>				
Instruction	39,873,627	36,881,125	35,726,115	33,413,086
Support services	21,591,584	19,932,909	18,759,624	16,776,779
Noninstructional services	3,323,620	3,174,673	3,043,774	2,945,087
Facilities acquisition and construction	2,601,116	1,337,374	4,567,226	4,965,691
<b>Debt service:</b>				
Principal	4,188,056	3,911,704	3,605,000	3,728,333
Interest	1,525,937	1,706,082	1,748,288	1,956,138
Other	11,175	11,179	15,463	367,027
<b>Total Expenditures</b>	<b>73,115,115</b>	<b>66,955,046</b>	<b>67,465,490</b>	<b>64,152,141</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(2,091,014)</b>	<b>562,790</b>	<b>(2,619,604)</b>	<b>(2,952,119)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of limited tax notes				7,320,000
Proceeds of refunding bonds				26,055,000
Premiums on issuance of debt				1,544,201
Inception of capital leases			1,116,762	
Insurance loss recoveries	7,896	15,246	8,778	13,773
Sale of transportation equipment	6,500	1,452	388	
Sale of other property	4,356	4,609	4,922	
Operating transfers in	4,346,444	4,536,632	5,679,026	8,563,928
Other financing sources		814		
Operating transfers out	(4,335,156)	(4,536,632)	(5,679,026)	(8,563,928)
Payment to refunded bond escrow agent				(27,230,526)
Other financing uses		(4,475)	(28,232)	
<b>Total Other Financing Sources (Uses)</b>	<b>30,040</b>	<b>17,646</b>	<b>1,102,618</b>	<b>7,702,448</b>
<b>Net Change in Fund Balances</b>	<b>(2,060,974)</b>	<b>580,436</b>	<b>(1,516,986)</b>	<b>4,750,329</b>
Fund Balance, July 1	18,451,705	17,878,866	19,403,899	14,623,432
Prior period adjustments	(1,324)	(21,382)	(400)	
Fund Balance, July 1, as restated	18,450,381	17,857,484	19,403,499	14,623,432
Increase (Decrease) in reserve for inventory	9,239	13,785	(7,647)	30,138
<b>Fund Balance, June 30</b>	<b>\$ 16,398,646</b>	<b>18,451,705</b>	<b>17,878,866</b>	<b>19,403,899</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**



# J.E. VANCE & COMPANY, P.A.

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board  
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2008, which collectively comprise the Tupelo Public School District's basic financial statements and have issued our report thereon dated March 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated March 25, 2009, which is included in this report.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

March 25, 2009  
Tupelo, Mississippi



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Tupelo Public School District

### Compliance

We have audited the compliance of the Tupelo Public School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Tupelo Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Tupelo Public School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of the Tupelo Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Tupelo Public School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

March 25, 2009  
Tupelo, Mississippi



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND  
REGULATIONS**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

Superintendent and School Board  
Tupelo Public School District

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tupelo Public School District as of and for the year ended June 30, 2008, which collectively comprise Tupelo Public School District's basic financial statements and have issued our report thereon dated March 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$8,859 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

#### Finding

Section 37-39-21, Miss. Code Ann. (1972), states, "the purchasing agent of any school board, before entering upon his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of Fifty Thousand Dollars (\$50,000), with sufficient surety." In addition Section 25-1-19, Miss. Code Ann. (1972), requires all surety bonds to be recorded and on file in the chancery clerk's office.

During our test work of expenditures, we noted that an individual was functioning as a purchasing agent for the component unit throughout the fiscal year and was not covered by a surety bond.

#### Recommendation

We recommend the district comply with Section 37-39-21, Miss. Code Ann. (1972), which requires purchasing agents be bonded in the amount of \$50,000, and be filed and recorded in the chancery clerk's office.

#### School District Response

Procedures are in place to assure all purchase orders are signed by a bonded purchasing agent.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

The Tupelo School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

March 25, 2009  
Tupelo, Mississippi



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued on the financial statements:                              | Unqualified |
| 2. Material noncompliance relating to the financial statements?                              | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness (es) identified?  | No          |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No          |

**Federal Awards:**

- |  |             |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs:                 | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness (es) identified?  | No          |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No          |
| 6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133?       | No          |
| 7. Federal program identified as a major program:  |             |
| a. Title I Grants to Local Educational Agencies  |             |
| CFDA #84.010   |             |
| b. Improving Teacher Quality State Grants  |             |
| CFDA #84.367   |             |

**TUPELO PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Section 1: Summary of Auditor's Results (Continued)**

- |  |            |
|--|------------|
| 8. The dollar threshold used to distinguish between type A and type B programs:  | \$300,000. |
| 9. Auditee qualified as a low-risk auditee?  | Yes        |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.510(b) of OMB Circular A-133? | No         |

**Section 2: Financial Statement Findings**

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

**Section 3: Federal Award Findings and Questioned Costs**

The results of our tests did not disclose any findings and questioned costs related to the federal awards.